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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] **QUARTERLY REPORT UNDER SECTION OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 31, 1992

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 0-5958

Survival Technology, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	52-0898764
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2275 Research Blvd., Rockville, Maryland	20850
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 301-926-1800

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 28, 1992
Common Stock, $.10 par value	3,026,022 Shares

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SURVIVAL TECHNOLOGY, INC.
FORM 10-Q
For the Quarter Ended January 31, 1992

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

SURVIVAL TECHNOLOGY, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

	January 31, 1992 (unaudited)	July 31, 1991 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,500	$ 1,326,100
Receivables	7,460,500	5,381,500
Inventories	4,223,100	5,100,400
Prepaid expenses and other assets	1,309,300	462,800
Total current assets	13,024,400	12,270,800
Fixed assets	13,067,200	11,636,400
Less accumulated depreciation	6,786,600	6,302,200
	6,280,600	5,334,200
Patents, licenses, and other noncurrent assets	1,289,000	1,245,400
Less accumulated amortization	505,000	467,300
	784,000	778,100
	$20,089,000	$18,383,100
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to bank	$ 1,900,000	$ -
Notes payable to Syntex	1,787,000	1,787,000
Accounts payable	3,866,000	3,100,100
Customer deposits	82,000	1,338,900
Other liabilities & accrued expenses	1,186,400	1,855,000
Total current liabilities	8,821,400	8,081,000
Notes payable to Syntex	1,415,200	1,476,500
Other noncurrent liabilities	20,600	26,900
Total liabilities	10,257,200	9,584,400
Shareholders' equity:		
Common stock, $.10 par value; 10,000,000 shares authorized; 3,022,000 and 2,997,300 shares issued and outstanding	302,200	299,700
Paid-in capital in excess of par value	4,237,800	3,877,200
Retained earnings	5,291,800	4,621,800
	9,831,800	8,798,700
	$20,089,000	$18,383,100

See accompanying notes to consolidated condensed financial statements.

SURVIVAL TECHNOLOGY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

	Six Months Ended January 31,		Three Months Ended January 31,	
	1992	1991	1992	1991
Net sales:				
Commercial products	$15,619,000	$ 9,110,000	$ 8,736,300	$ 5,081,700
Military products	3,780,600	13,920,600	1,307,500	8,790,200
Outpatient services	-	914,000	-	453,100
	19,399,600	23,944,600	10,043,800	14,325,000
Cost of sales	16,080,300	18,635,800	8,176,800	10,872,800
Gross profit	3,319,300	5,308,800	1,867,000	3,452,200
Selling, general & administrative expense	1,630,300	2,380,900	843,600	1,297,000
Research & development expense	517,100	458,100	253,400	243,300
Depreciation and amortization expense	627,900	492,500	352,800	246,900
	2,775,300	3,331,500	1,449,800	1,787,200
Operating income	544,000	1,977,300	417,200	1,665,000
Other income (expense):				
Interest expense	(129,100)	(214,700)	(75,700)	(92,200)
Patent assignment & other income (expense)	440,900	39,300	157,100	(22,900)
	311,800	(175,400)	81,400	(115,100)
Income before income taxes and extraordinary item	855,800	1,801,900	498,600	1,549,900
Provision for income taxes	222,400	684,700	129,600	588,900
Income before extra-ordinary item	633,400	1,117,200	369,000	961,000
Extraordinary item: Tax benefit from utilization of loss carryforward	36,600	684,700	-	588,900
Net income	$ 670,000	$ 1,801,900	$ 369,000	$ 1,549,900
Per common share:				
Income before extraordinary item	$ .21	$ .38	$.12	$ .32
Extraordinary item	.01	.23	-	.20
Net income	$ .22	$ .61	$.12	$ .52
Average number of common shares outstanding	3,051,300	2,938,800	3,101,400	2,969,700

See accompanying notes to consolidated condensed financial statements.

SURVIVAL TECHNOLOGY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended January 31,	
	1992	1991
Cash flows from operating activities:		
Net income	$ 670,000	$ 1,801,900
Adjustments to reconcile net income to net cash (used for) provided by operating activities:		
Depreciation and amortization	627,900	492,500
Gain on sale of building	(388,300)	(121,000)
Loss on sale of assets	21,100	59,100
(Increase) in receivables	(2,079,000)	(5,448,200)
Decrease (increase) in inventories	877,300	(894,300)
(Increase) in prepaid expenses and other assets	(801,500)	(937,400)
Increase in accounts payable	765,900	3,071,000
(Decrease) increase in customer deposits	(1,256,900)	2,229,100
(Decrease) increase in other liabilities and accrued expenses	(280,300)	130,700
Decrease (increase) in other noncurrent assets	27,500	(25,500)
Increase (decrease) in other noncurrent liabilities	6,300	(6,600)
Net cash (used for) provided by operating activities	(1,810,000)	351,300
Cash flows from investing activities:		
Purchases of fixed assets	(1,520,400)	(1,146,200)
Purchases of patents and licenses	(31,000)	(61,300)
Proceeds from sale of assets	-	414,300
Net cash used for investing activities	(1,551,400)	(793,200)
Cash flows from financing activities:		
Proceeds (payments) on notes payable to bank	1,900,000	(362,500)
Payment on notes payable to Syntex	(61,300)	
Proceeds from issuance of common stock	123,100	81,500
Increase in other liabilities		385,000
Tax benefit from stock option shares sold	105,000	-
Net cash provided by financing activities	2,066,800	104,000
Net decrease in cash and cash equivalents	$(1,294,600)	$ (337,900)
Cash and cash equivalents at beginning of period	$ 1,326,100	$ 551,100
Cash and cash equivalents at end of period	31,500	213,200
Net decrease in cash and cash equivalents	$(1,294,600)	$ (337,900)

See accompanying notes to consolidated condensed financial statements.

SURVIVAL TECHNOLOGY, INC.
FORM 10-Q
For the Quarter Ended January 31, 1992

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

A. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of January 31, 1992 and July 31, 1991, the results of its operations for the three-month and six-month periods ended January 31, 1992 and 1991, and its cash flows for the six-month periods ended January 31, 1992 and 1991. The results of operations for the three-month and six-month periods ended January 31, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ending July 31, 1992.

B. The significant accounting principles and practices followed by the Company are set forth in Note 1 of the Notes to Consolidated Financial Statements in the Survival Technology, Inc. Annual Report on Form 10-K for the year ended July 31, 1991.

C. Inventories consisted of the following:

	January 31, 1992	July 31, 1991
Military auto-injector products:		
Components and subassemblies	$ 480,100	$2,373,900
Product costs in process		1,155,700
	480,100	3,529,600
Commercial products:		
Components and finished goods	2,256,300	1,248,300
Product costs in process	1,486,700	322,500
	3,743,000	1,570,800
Total	$4,223,100	$5,100,400

D. The provision for income taxes recorded for the six-month period ended January 31, 1992 contains a charge in lieu of federal and state income taxes that would be required to be paid had the Company not been able to utilize its tax loss carryforwards. The respective tax benefit for the six-month period ended January 31, 1992 of $36,600 ($.01 per share) resulting from such utilization is shown as an extraordinary item in the Consolidated Condensed Statements of Operations. During the three-month and six-month periods ended January 31, 1991 such utilization of net operating loss carryforwards as an extraordinary item resulted in a tax benefit of $588,900 ($.20 per share) and $684,700 ($.23 per share), respectively. The Company's effective tax rate is less than the statutory tax rate due to the utilization of available tax credit carryforwards.

SURVIVAL TECHNOLOGY, INC.
FORM 10-Q
For the Quarter Ended January 31, 1992

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Quarter and Six Months in Review

The Company reported net income of $369,000 ($.12 per share) and $670,000 ($.22 per share) for the quarter and six months ended January 31, 1992 on sales of $10 million and $19.4 million, respectively. In the comparable prior year periods, net income was $1,549,900 ($.52 per share) and $1,801,900 ($.61 per share) for the quarter and six months ended January 31, 1991 on sales of $14.3 million and $23.9 million, respectively. Operating results for the six-month period ended January 31, 1992 include an extraordinary item resulting from the utilization of tax loss carryforwards totalling $36,600 ($.01 per share). During the second quarter and six month period ended January 31, 1991, such utilization of net operating loss carryforwards as an extraordinary item resulted in a tax benefit of $588,900 ($.20 per share) and $684,700 ($.23 per share), respectively.

While margins through the first six months of fiscal 1992 were below those experienced in prior years, margins improved from 15.5% in the first quarter to 18.6% in the second quarter of fiscal 1992. Margin improvements are expected to continue over the remaining two quarters of fiscal 1992 as the Company's capital expansion program is nearing completion, with many projects currently on-line. The Company reported lower levels of selling, general and administrative expense and interest charges for the quarter and first six months of fiscal 1992 due to the disposition of its outpatient cardiac care business in the third quarter of fiscal 1991. Higher non-operating income resulted from accelerated amortization of the deferred gain on the sale/leaseback of the Company's corporate headquarters building to reflect the revised lease term in conjunction with the early termination of this lease. The Company moved its corporate headquarters from Bethesda, Maryland to Rockville, Maryland in January 1992 which will result in lower occupancy costs in future periods.

Sales of commercial products continued to strengthen, aggregating $8.7 million in the second quarter and $15.6 million in the first six months of fiscal 1992. This represents increases of over 70% when compared with the same prior year periods. This growth is attributable to revenue from sales of Syntex Laboratories, Inc. ("Syntex") drug Toradol® in the Company's Cartrix™ syringe system coupled with the sales of the Company's EpiPen auto-injector, a commercial automatic injector containing epinephrine for self-administration by individuals for emergency treatment of severe allergic reactions. The Company expects to report sales growth from these commercial products as well as the Company's patented CytoGuard® Aerosol Protective Device over the remaining six months of fiscal 1992. The CytoGuard, which is sold exclusively in the United States to Bristol-Myers Squibb Oncology, is designed to

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

reduce the risk of exposure of health care professionals to toxic drugs, such as chemotherapeutics administered to patients.

Increases in commercial product sales were offset by anticipated decreases in sales of military auto-injectors to the U.S. Department of Defense ("DoD") and the absence of revenues from outpatient cardiac care ("OCC") services. Revenues from OCC services aggregated $453,100 and $914,000 in the second quarter and first six months of fiscal 1992. Sales of military auto-injectors in fiscal 1991 included significant orders from the DoD and other allied foreign governments largely in support of Operation Desert Storm. As previously reported, the Company extended deliveries of a portion of these outstanding DoD orders (approximately $3 million), into fiscal 1992 in an effort to concentrate on its commercial sales backlog. The Company completed deliveries under all previously reported DoD contracts in January 1992. Sales of military auto-injectors for the quarter and six-month period ended January 31, 1992 aggregated $1.3 million and $3.8 million, respectively. This represents respective decreases of $7.5 million and $10.1 million over the comparable prior year periods.

On January 24, 1992, the Company received an order totalling $1.1 million from the DoD for the Company's Mark-I Antidote Kit which consists of two injectors, the AtroPen Auto-Injector filled with atropine and the ComboPen® Auto-Injector, filled with pralidoxime chloride. Deliveries under this contract are scheduled to commence in the third quarter and be completed by the end of the current fiscal year.

Liquidity and Capital Resources

The Company has a Revolving Credit Agreement ("Agreement") with Barclays Bank PLC ("the Bank") with a maximum commitment of $4,000,000 which expires on September 14, 1993.

As previously reported, the Company signed a Loan Agreement pursuant to which Syntex Laboratories, Inc. ("Syntex") agreed to lend $5.4 million to the Company to finance approximately $2.9 million in capital expenditures designed to increase the current production capacity of the Company's Cartrix™ syringe system, primarily as it relates to the manufacture of Toradol, with the balance to finance working capital requirements. Principal repayments commenced August 1, 1991 through credits against amounts invoiced Syntex from product deliveries in the first six months of the current year. In addition to these expenditures, the Company anticipates significant levels of capital expenditures over the next several years for expanded production capacity to keep pace with commercial sales growth and to automate current production

SURVIVAL TECHNOLOGY, INC.
FORM 10-Q
For the Quarter Ended January 31, 1992

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

processes. These latter programs will be funded initially by the Company through reinvestment of profits and through other alternate sources of financing to be identified.

The Company intends to continue increasing funds available for research and development activities. This includes increasing expenditures for high priority R&D programs, particularly new generation auto-injectors and other programs determined to provide the greatest potential benefit to the Company in the future.

The Company believes its current financing arrangements will continue to satisfy its needs for working capital and other financial obligations.

Balance Sheet Review

Working capital remained relatively constant during the first six months of fiscal 1992 decreasing from $4.2 million at July 31, 1991 to $4.1 million at January 31, 1992. Receivables increased $2.1 million (38%) resulting from increased deliveries of pre-filled Toradol syringes to Syntex. Inventories declined $877,300 (17%) primarily due to the production and final deliveries of military auto-injectors under existing DoD contracts. As previously reported, the Company extended deliveries of outstanding DoD orders from fiscal 1991 into the current fiscal year in an effort to concentrate on its commercial sales backlog. This delivery extension contributed to higher inventory levels at year end as all components needed to produce these orders had been procured by the Company during fiscal 1991. The decline in military inventories was partially offset by an increase in inventories of commercial products (See Note C in Notes to Consolidated Condensed Financial Statements) which were necessary to support continued sales growth experienced during the current fiscal year. Prepaid expenses and other assets increased $741,500 (160%) due to various factors including annual renewals of certain insurance policies, estimated income tax payments, and increased inventory levels of manufacturing supplies.

Notes payable and accounts payable, which increased $2.7 million at January 31, 1992 when compared to July 31, 1991, were used to finance the increased receivable balances mentioned above and the elimination of customer deposits as described in more detail below. Also contributing to the increase in notes payable was the continued investment by the Company in production automation through the reinvestment of current period profits offset by principal repayments due under the Syntex Loan Agreement (see "Liquidity and Capital Resources" above). Customer deposits, which

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

consist of advances received under various commercial syringe filling and packaging agreements, decreased $1,256,900 (94%) as advances from Syntex were discontinued in conjunction with the signing of the Loan Agreement in April 1991. The customer deposit balance as it relates to Syntex was eliminated with deliveries against outstanding purchase orders during the first quarter. Other liabilities and accrued expenses decreased $668,600 (36%) as a result of the Company's profit sharing contribution ($183,500), accrued in fiscal 1991, made during the current period, as well as, the accelerated amortization of the deferred gain ($388,300) on the sale of the corporate headquarters building.

Capital expenditures, which aggregated $1.5 million through the first six months of fiscal 1992, consisted of improvements designed to increase production capacity in support of continued commercial sales growth and to automate current production processes at the Company's St. Louis manufacturing facility. Shareholders's equity increased $928,100 (11%) as the result of net income ($670,000) for the six-month period ended January 31, 1992 coupled with the issuance of restricted stock ($135,000) and common stock ($123,100) through the exercise of employee stock options.

Results of Operations

Consolidated net sales for the second quarter and first six months of fiscal 1992 were $10 million and $19.4 million, representing respective decreases of $4.3 million (30%) and $4.5 million (19%) over the comparable prior year periods. As anticipated, the Company reported continued sales growth from its commercial products in the second quarter of fiscal 1992. Revenue from commercial products increased $3.7 million (74%) and $6.5 million (71%) during the current quarter and first six months of fiscal 1992, respectively, when compared with the same prior year periods. Sales in fiscal 1991 included significant orders from the DoD and other allied foreign governments for military auto-injectors containing nerve gas antidotes in support of Operation Desert Storm. Increases in commercial product sales were offset by anticipated decreases in sales of military auto-injectors and the absence of revenues of $452,100 and $914,000 in the second quarter and six-month period ended January 31, 1992, respectively, from outpatient cardiac services due to the disposition of this business in the third quarter of fiscal 1991. See "Quarter and Six-Months in Review" above for further discussion.

SURVIVAL TECHNOLOGY, INC.
FORM 10-Q
For the Quarter Ended January 31, 1992

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Gross margins in the second quarter and first six months of fiscal 1992 were below those experienced in the comparable prior year periods due to the anticipated increase in the sales volume of lower margin products. Margins in the second quarter of fiscal 1992 increased over those realized in the first quarter. Management has implemented an action plan designed to improve margins as loan proceeds from the Syntex Loan Agreement have enabled the Company to accelerate its capital expansion program. This includes automation of certain labor intensive operations to reduce operating costs which should result in continuing margin improvements during the latter half of fiscal year 1992. The capital expansion program also includes a facility expansion to increase production capacity which will be financed partially through proceeds from the Syntex Loan Agreement as well as through the reinvestment of profits and other alternate sources of financing to be identified.

Selling, general and administrative expenses decreased $453,400 (35%) and $750,600 (32%) in the second quarter and for the six-month period ended January 31, 1992 when compared with the same prior year periods. This decrease is attributable to management's efforts to reduce overhead costs and streamline operations, which included the disposition of the Company's outpatient care division in the third quarter of fiscal 1991. Research and development expenditures remained constant in the second quarter and increased $59,000 (13%) in the first six months of fiscal 1992 versus the comparable prior years periods. The Company is continuing efforts to improve current production techniques as well as developing new automatic injectors and other devices for the military and civilian markets. Depreciation and amortization expense increased $105,900 (43%) in the second quarter and $135,400 (27%) in the six-month period ended January 31, 1992 when compared with the same prior year periods, due to higher levels of capital expenditures during the latter part of fiscal 1991 and into fiscal 1992. Higher production levels also increased depreciation on component molds. The Company anticipates depreciation expense to increase in future periods in conjunction with the significant levels of capital expenditures anticipated for expanded production capacity.

Other income, net of other expenses, increased $196,500 and $487,200 for the second quarter and six months ended January 31, 1992, respectively, when compared with the same periods last year. This was due in part to a decrease in interest expense of $16,500 (18%) and $85,600 (40%) in the current quarter and first six months of fiscal 1992 resulting from lower levels of bank borrowings and lower interest rates. A more significant factor contributing to this increase was the accelerated amortization of the deferred gain on the sale/leaseback of the corporate headquarters building which

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

aggregated $133,600 and $267,300 in the quarter and first six months. The accelerated gain reflects the revised lease term in conjunction with the previously reported early lease termination. Lastly, the Company recorded the sale of an investment in a small research venture during the first six months of fiscal 1992, resulting in a gain of $58,100. There were no material income and/or losses generated over the three years in which the Company held this investment.

The provision for income taxes recorded for the six-month period ended January 31, 1992 contains a charge in lieu of federal and state income taxes that would be required to be paid had the Company not been able to utilize its remaining operating loss carryforwards. The tax benefit for the period of $36,600 ($.01 per share) resulting from such utilization is shown as an extraordinary item in the Consolidated Condensed Statements of Income. During the second quarter and first six months of fiscal 1991, similar tax benefits of $588,900 ($.20 per share) and $684,700 ($.23 per share) resulting from such utilization were shown as an extraordinary item. The Company's effective tax rate for the next three months and six months ended January 31, 1992 is lower than the statutory tax rate due to the utilization of available tax credit carryforwards.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

On January 9, 1992 at the Annual Meeting of Shareholders of the Company, the shareholders elected a Board of five directors named in the Company's proxy statement dated December 10, 1991 who will serve until the next annual meeting of shareholders; approved amendments to the 1986 Stock Option Plan to increase the number of common stock issuable from 250,000 to 500,000 shares thereunder and extend the expiration date of the 1986 Plan from April 23, 1996 to November 25, 2001; and ratified the selection by the Board of Directors of Price Waterhouse as independent auditors of the Company for the current fiscal year.

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K. There were no reports on Form 8-K filed by the Registrant during the three months ended January 31, 1992.

SURVIVAL TECHNOLOGY, INC.
FORM 10-Q
For the Quarter Ended January 31, 1992

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SURVIVAL TECHNOLOGY, INC.
Registrant

March 13, 1992
Date

By: James H. Miller
James H. Miller
President & Chief Executive Officer
(Principal Executive Officer)

March 13, 1992
Date

By: Jeffrey V. Church
Jeffrey V. Church
Vice President - Finance
and Chief Financial Officer
(Principal Financial and
Accounting Officer)